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Message Text

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SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 EA-06

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E.O. 11652: N/A

TAGS: ENRG

SUBJECT: IEA - AD HOC GROUP ON STOCKS

SUMMARY:

AD HOC GROUP ON STOCKS MET APRIL 21, OTTAWA. US, CANADA, U.K., DENMARK, AND JAPAN REPRESENTED. NORWAY PRESENT AS OBSERVER. MAJORITY FAVORED RECOMMENDING TO STANDING GROUP ON EMERGENCY QUESTIONS (SEQ) THAT EMERGENCY RESERVES FOR INTERNATIONAL MARINE BUNKERS BE ESTABLISHED BY IEA COUNTRIES. PAPERS ON FUEL-
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SWITCHING AND STAND-BY PRODUCTION DISCUSSED. MAJORITY REACHED CONSENSUS THAT STAND-BY PRODUCTION MIGHT HAVE GREATER VALUE THAN EMERGENCY OIL STOCKS BUT PRECISE QUANTIFICATION DIFFICULT. GROUP AGREED THAT SEQ SHOULD

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IDENTIFY COUNTRIES DESIRING TO USE EITHER FUEL SWITCHING OR STANDBY PRODUCTION AND THAT APPROPRAITE CRITERIA SHOULD BE SET UP AS REQUIRED. GROUP TO RECOMMEND POST-PONEMENT OF IMPOSITION OF 90 DAY RESERVE OBLIGATION UNTIL INDUSTRY ADVISORY BOARD (IAB) CONSIDERS COSTS IN-VOLVED. END SUMMARY

1. AD HOC GROUP ON STOCKS HELD THIRD MEETING IN OTTAWA APRIL 21 TO CONSIDER:

-- APPROPRIATENESS OF INCLUDING INTERNATIONAL MARINE BUNKER DEMAND IN FINAL CONSUMPTION FOR EMERGENCY RESERVE PURPOSES;

-- TREATMENT OF FUEL SWITCHING AND STAND-BY PRODUCTION; AND,

-- EXTENTION OF EMERGENCY RESERVE REQUIREMENTS FROM 60 TO 90 DAYS OF IMPORTS.

INCLUSION OF INTERNATIONAL MARINE BUNKERS IN FINAL CON-SUMPTION FOR EMERGENCY RESERVE PURPOSES WAS SUPPORTED BY US, CANADA, UK AND DENMARK. MAJORITY FELT BUNKERING WAS COMMERCIAL ENDEAVOR AND THAT BUNKERING COUNTRIES SHOULD PROVIDE STOCKS.

2. JAPAN ADAMANTLYOPPOS INCLUDING BUNKERS IN FINAL DOMESTIC CONSUMPTION FOR PURPOSE OF CALCULATING EMERGENCY RESERVE OBLIGATION ARGUING THAT SERVICE PRO-VIDED BY BUNKERING COUNTRIES BENEFITTED ALL IEA COUNTRIES AND COST OF BUNKER STOCKS SHOULD BE SHARED EQUITABLY.

3. GROUP DECIDED TO RECOMMEND THAT ISSUE BE DECIDED BY SEQ/GB SINCE SEQ ALREADY DETERMINED THAT BUNKERING SHOULD BE FACTOR IN CALCULATING SUPPLY RIGHTS.

4. FUEL SWITCHING AND STAND-BY PRODUCTION PAPERS
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SUBMITTED BY UK/FRG AND US/CANADA RESPECTIVELY WERE DISCUSSED IN DETAIL. SECRETARIAT SUGGESTED THAT USE OF STAND-BY PRODUCTION IN SATISFYING EMERGENCY RESERVE OBLIGATIONS SKEWED SUPPLY AND ALLOCATION RIGHTS/ OBLIGATIONS. BASICALLY, SECRETARIAT CONTENDED THAT BRINGING STAND-BY PRODUCTION ON STREAM INCREASED OIL AVAILABLE TO THE IEA. US/CANADA DISPUTED THIS ARGUING THAT INCREASED PRODUCTION SUBSTITUTED FOR IMPORTS -- THOUGH ACTUAL IMPORTS MIGHT NOT DECREASE -- AND THAT PRIN-CIPAL EFFECT WAS ON DEMAND RESTRAINT NOT SUPPLY RIGHTS.

5. GROUP CONCLUDED THAT SUPPLY/ALLOCATION RIGHTS NOT

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EFFECTED BY FUEL SWITCHING/STAND-BY PRODUCTION BUT COULD NOT AGREE ON VALUE OF STAND-BY PRODUCTION FLOW IN TERMS OF OIL STOCK. JAPAN DEL HAD NO OBJECTION TO 1:1 RATIO BUT REMAINED UNPERSUADED THAT HIGHER VALUE SHOULD BE USED. GROUP AGREED TO REQUEST THAT IAB EXAMINE QUUESTION OF VALUE OF STAND-BY PRODUCTION IN TERMS OF STOCKS AND DECIDED THAT COUNTRIES PLANNING TO USE STAND-BY PRODUCTION OR FUEL SWITCHING TO SATISFY EMERGENCY RESERVE OBLIGATIONS SHOULD BE REQUESTED TO PRESENT DETAILED PLANS

TO SEQ. AT PRESENT, IT APPEARED TO GROUP THAT DEVELOPMENT OF CRITERIA NOT REQUIRED. SEQ SHOULD QUERY MEMBERS ON PLANS TO USE FUEL SWITCHING OR STAND-BY PRODUCTION AND INSTRUCT AD HOC GROUP ON STOCKS TO DEVELOP ADEQUATE CRITERIA AS NECESSARY.

6. QUESTION OF INCREASING EMERGENCY RESERVE OBLIGATIONS FROM 60 TO 90 DAYS DISCUSSED. GROUP AGREED DECISION ESSENTIALLY POLITICAL AND COULD NOT BE MADE SOLELY ON TECHNICAL BASIS. HOWEVER, GROUP FELT IAB SHOULD BE REQUESTED TO EXAMINE MINIMUM COST OF 90 DAY STOCK PROGRAM.

7. IAB ALSO WILL BE REQUESTED TO DETERMINE MINIMUM WORKING INVENTORIES ON A COUNTRY-BY-COUNTRY BASIS AND BUNKER SUPPLIES IN NON-IEA COUNTRIES.

8. DATE OF NEXT MEETING TO BE DETERMINED AT NEXT SEQ MEETING. KISSINGER
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